

PERFORMANCE & COMPENSATION COMMITTEE OPEN SESSION

MINUTES OF MEETING

May 13, 2008

The Performance and Compensation Committee met on Tuesday, May 13, 2008, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 3:11 p.m. and the following members were present:

Priya Mathur, Chair Tony Oliveira Greg Beatty/Debbie Endsley representing David Gilb Louis F. Moret Anne Sheehan Kurato Shimada Charles Valdes - excused

AGENDA ITEM 2 – APPROVAL OF THE MARCH 18, 2008 PERFORMANCE AND COMPENSATION COMMITTEE MEETING MINUTES

The minutes were approved as presented.

AGENDA ITEM 3 – THIRD QUARTER STATUS REPORTS ON PERFORMANCE PLANS OF THE CHIEF EXECUTIVE OFFICER, CHIEF ACTUARY, GENERAL COUNSEL, CHIEF INVESTMENT OFFICER AND HIS DIRECT REPORTING STAFF

Chris O'Brien, Chief of Human Resources, presented, as an action item the third quarter status reports for the Chief Executive Officer, Chief Actuary, General Counsel, Chief Investment Officer, and His Direct Reporting Staff. One change was presented for the plans of the Chief Actuary and General Counsel, related to a schedule change within the Pension System Resumption Project.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** the Committee approved the Third Quarter Status Reports on the Performance Plans of the Chief Executive Officer, Chief Actuary, General Counsel, Chief Investment Officer, and His Direct Reporting Staff, including the change in the performance plans of the Chief Actuary and General Counsel.

AGENDA ITEM 4 – CHANGES IN SENIOR PORTFOLIO MANAGER AND PORTFOLIO MANAGER PERFORMANCE PLANS

Ms. O'Brien presented, as an information item, the change approved by the Chief Executive Officer and Chief Investment Officer in the plan of one Portfolio Manager.

AGENDA ITEM 5 – 2007-2008 PERFORMANCE PLAN FOR RECENTLY APPOINTED INVESTMENT MANAGER (FIRST READING)

Ms. O'Brien presented the 2007-08 performance plan and duty statement for one recently appointed Portfolio Manager, Fixed Income for first reading.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** the Committee approved the Board approve as final, the 2007-08 performance plan for the recently appointed Portfolio Manager.

AGENDA ITEM 6 – 2008 SALARY SURVEY FOR CHIEF EXECUTIVE OFFICER, CHIEF ACTUARY, GENERAL COUNSEL AND INVESTMENT MANAGEMENT POSITIONS

Ms. O'Brien and Rick Beal of Watson Wyatt Worldwide, presented the 2008 Biennial Salary Survey report.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** the Committee approved the methodology and salary ranges as presented under Alternative Option 2 of the report for the Chief Executive Officer, Chief Actuary, General Counsel and Investment Management positions.

Ms. O'Brien also presented recommended revisions to the Executive Compensation Policy and Procedures regarding two provisions related to use of "median of the data," and removal of the 0-45% award schedule for newly appointed Portfolio Managers, as presented in the item.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** the Committee approved the Executive Compensation Policy revisions as recommended by staff.

AGENDA ITEM 7 – ANNUAL PERFORMANCE REVIEW PROCESS FOR CHIEF EXECUTIVE OFFICER, CHIEF INVESTMENT OFFICER, CHIEF ACTUARY AND GENERAL COUNSEL

Ms. O'Brien presented recommended changes to the Annual Performance Review Process for Board Reportable executives.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** the Committee approved changes to the Annual Performance Review Process for the Chief Executive Officer, Chief Investment Officer, Chief Actuary and General Counsel.

AGENDA ITEM 8 – CHIEF INVESTMENT OFFICER AND CHIEF OPERATING INVESTMENT OFFICER DUTY STATEMENTS

This item was passed over as it was addressed in the Investment Committee.

AGENDA ITEM 9 – 2008 PERFORMANCE & COMPENSATION COMMITTEE MASTER AGENDA ITEM CALENDAR

Ms. O'Brien presented, as an information item, the 2008 Performance and Compensation Committee Master Agenda Item Calendar.

AGENDA ITEM 10 – HUMAN RESOURCES DIVISION REPORT

There was no report at this time.

AGENDA ITEM 11 – PROPOSED JUNE 2008 AGENDA

The draft agenda for the June 2008 Committee meeting was reviewed and accepted.

The next Performance and Compensation Committee meeting is scheduled for June 17, 2008, in Sacramento, California.